

Message Text

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PAGE 01 COLOMB 05131 281108Z
ACTION AID-59

INFO OCT-01 ISO-00 NEA-10 L-03 EB-08 IGA-02 AGRE-00
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FM AMEMBASSY COLOMBO
TO SECSTATE WASHDC PRIORITY 9131
INFO AMEMBASSY NEW DELHI

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NEW DELHI FOR AGATT

E.O. 11652: N/A
TAGS: EAID, EAGR, CE

SUBJ: PROPOSED FY 1978 TITLE I AGREEMENT

REF: A. STATE 306560; B. STATE 299301; C. STATE 279760

1. IN THE SECOND NEGOTIATING MEETING HELD DECEMBER 28, OFFICIALS OF THE EXTERNAL RESOURCES DIVISION (ERD) AND THE FOOD COMMISSIONER'S OFFICE REACHED AGREEMENT WITH EMBOFF ON TEXT OF SUBJECT AGREEMENT PROVIDED REFTEL C AS MODIFIED BY PARAS 2 AND 3 OF REFTEL A. AGREEMENT WAS ALSO REACHED ON THE AGREED MINUTES IN CONFORMITY WITH ALL REFTELS.

2. THE ERD IS NOW PREPARING A PAPER REQUESTING APPROVAL OF THE AGREEMENT FOR CONSIDERATION AT THE NEXT CABINET MEETING ON JANUARY 4. AS THE SIGNING PROCEDURES SPECIFIED IN PARA 8, REFTEL C, REQUIRE THE EMBASSY TO REQUEST AUTHORIZATION TO SIGN AT LEAST THREE WORKING DAYS BEFORE THE ACTUAL SIGNING, THE DATE FOR SIGNING IS TENTATIVELY SET FOR JANUARY 9. THE EMBASSY WILL CABLE FOR AUTHORIZATION AS SOON AS THE AGREEMENT IS APPROVED BY THE CABINET.

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PAGE 02 COLOMB 05131 281108Z

3. THE FOOD COMMISSIONER'S DEPARTMENT IS PREPARING A CONTRACTING AND DELIVERIES SCHEDULE BASED ON THE ASSUMPTION THAT THE AGREEMENT IS SIGNED ON JANUARY 9. THE SCHEDULE, ALONG WITH THE OTHER INFORMATION REQUIRED BY PARA 7(B), REFTEL C, WILL BE GIVEN TO THE EMBASSY NO LATER THAN JANUARY 4. THIS INFORMATION AND THE EMBASSY'S CONCURRENCE/COMMENTS WILL BE

FORWARDED TO THE DEPARTMENT BY PRIORITY CABLE.

4. IN THE COURSE OF THE SECOND NEGOTIATING SESSION, DEPUTY FOOD COMMISSIONER PULENDIRAN EXPRESSED CONCERN ABOUT THE REQUIREMENT UNDER PARA 7(E), REFTEL C, THAT "LETTERS OF CREDIT MUST BE OPENED FOR 100 PERCENT OF THE OCEAN FREIGHT CHARGES IN FAVOR OF THE SUPPLIER OF OCEAN TRANSPORTATION NOT LATER THAN 48 HOURS PRIOR TO THE VESSEL'S PRESENTATION FOR LOADING."

5. ACCORDING TO PULENDIRAN, THE PRESENT PRACTICE IS TO OPEN LETTERS OF CREDIT FOR US FLAG VESSELS FOR 100 PERCENT OF THE FREIGHT WITH A CLAUSE THAT 90 PERCENT IS PAYABLE UPON ARRIVAL OF THE VESSEL AT THE DISCHARGE PORT OR ON SUBMISSION OF A PERFORMANCE BOND UPON COMPLETION OF LOADING. THE BALANCE 10 PERCENT IS PAYABLE ONLY AFTER CERTIFICATION BY THE FOOD COMMISSIONER OF THE RIGHT AND TRUE DELIVERY OF THE AMOUNT OF FLOUR SPECIFIED IN THE BILL OF LADING, OR AFTER DEDUCTING THE VALUE OF ANY SHORTAGES OR DAMAGES. PULENDIRAN WOULD LIKE TO KNOW IF THE PROVISIONS OF PARA 7(E) REQUIRE PAYMENT OF A FULL 100 PERCENT UPON ARRIVAL OF THE VESSEL OR ON SUBMISSION OF A PERFORMANCE BOND? AS THERE HAVE BEEN INSTANCES OF SHORT AND/OR DAMAGED CARGOES, HE IS CONCERNED ABOUT THE DIFFICULTY OF RECOVERING CLAIMS. IF THE FULL 100 PERCENT MUST BE PAID, WOULD IT BE POSSIBLE TO REQUIRE IN THE FREIGHT TENDER THAT VESSEL OWNERS/BROKERS PROVIDE GUARANTEES FROM PROTECTION AND INDEMNITY (P AND I) CLUBS THAT ALL CLAIMS WILL BE SETTLED LIMITED OFFICIAL USE

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PAGE 03 COLOMB 05131 281108Z

EXPEDITIOUSLY?

6. PULENDIRAN SAID THAT DELAYS IN OPENING LETTERS OF CREDIT FOR US FLAG VESSELS HAVE BEEN DUE TO DELAYS BY VESSELS OWNERS/BROKERS IN SENDING THE RELEVANT CHARTER PARTIES TO THE FOOD COMMISSIONER. PULENDIRAN ASKED IF THE USDA WOULD BE PREPARED TO ASSIST IN OBTAINING THE CHARTER PARTIES IN SUFFICIENT TIME TO OPEN LETTERS OF CREDIT NOT LATER THAN 48 HOURS PRIOR TO VESSEL'S PRESENTATION FOR LOADING?

ACTION REQUESTED: THE EMBASSY WOULD APPRECIATE THE DEPARTMENT'S AND USDA'S RESPONSE TO THE QUESTIONS RAISED IN PARAS 5 AND 6 ABOVE.
WRIGGINS

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Disposition Approved on Date:
Disposition Case Number: n/a
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